

SEP 10 1945

CHARLES ELMORE GROPLEY
OLEMAN

IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1945.

OBEAR-NESTER GLASS COMPANY,
Petitioner,
v.
UNITED DRUG COMPANY,
Respondent.

**PETITION FOR WRIT OF CERTIORARI
and
BRIEF IN SUPPORT THEREOF.**

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St. Louis, Missouri,
September 5, 1945.



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PETITION FOR WRIT OF CERTIORARI.

To The Honorable Chief Justice of the United States and
The Associate Justices of the Supreme Court of the
United States:

Your petitioner, Obear-Nester Glass Company, prays
for a writ of certiorari to the Circuit Court of Appeals for
the Eighth Circuit to review the judgment of that Court
entered in the above entitled suit on June 11, 1945.

A transcript of the record in the case, including the pro-
ceedings in said Circuit Court of Appeals, is furnished
herewith, in accordance with the rules of this Court.

1.

This petition seeks a reversal of the judgment and order
of the Circuit Court of Appeals denying petitioner's claim
for profits of respondent, earned by respondent upon sales
of prescription bottles bearing a mark held to infringe the
trade mark of petitioner.

2.

This suit arose by a complaint filed November 12, 1935, by petitioner, charging respondent with infringement of its trade mark "REX" for bottles, registered (No. 231,759) in the United States Patent Office August 23, 1927, under the Federal Trade Mark Statute of February 20, 1905. Petitioner has used its mark "REX" since 1896. Respondent's infringing use began in 1931, and consisted of the sale of bottles bearing the imprint "The REXALL Store," the word REXALL being of dominating size.

3.

The District Court entered its findings, conclusions and interlocutory decree of infringement of the petitioner's trade mark October 9, 1939.

The findings of the District Court were that petitioner had been the owner of the trade-mark "REX" since 1896, for bottles, had continuously used it to date, with substantial and national distribution since long prior to 1931, when respondent began its infringement. They also included the finding that respondent began its infringement in 1931, that all of its sales had been to affiliated or subsidiary retail drug stores; and that respondent knew of petitioner's application of the trade-mark "REX" to prescription bottles in 1931, when it began its use; and it knew that "REXALL" had been held confusingly similar to "REX" in litigation in 1904 (R. 5-6).

The findings further held that, after notice of infringement by petitioner, respondent had, in 1932, stated that it would discontinue furnishing bottles to the stores bearing the "REXALL" mark, but that it did not discontinue doing so; and that the continued use after 1932 was "in bad faith" (R. 6-7).

The findings held that there "is a manifest likelihood of confusion in the minds of purchasers between prescrip-

tion bottles, some of which bear the plaintiff's 'REX' mark and others of which bear the defendant's 'REXALL' mark" (R. 6-7).

Whereupon the District Court, on October 9, 1939, entered its interlocutory decree of infringement, and an award of an accounting (R. 2).

4.

Thereafter, respondent appealed to the United States Circuit Court of Appeals for the Eighth Circuit from this interlocutory decree. On May 13, 1940, the Court of Appeals handed down its opinion affirming the findings of the District Court and the decree thereof that the petitioner was the owner of the trade-mark "REX" for prescription bottles, and that the respondent had infringed the same by its prescription bottles sold bearing the imprint "The REXALL Store" (R. 5). On June 14, 1940, the respondent herein filed a petition for certiorari to this Court (Number of 174 in the October term of 1940). This petition was denied October 14, 1940, whereupon the mandate of the Circuit Court of Appeals went down to the District Court on October 28, 1940 (R. 13), and the case proceeded to the accounting before a special master.

5.

Before the special master, respondent filed its statement of account, a pleading, showing that its total sales of the infringing bottles aggregated \$429,876.68 (R. 273).

6.

Thereupon, by way of proof of respondent's profits, petitioner offered in evidence the statement in respondent's pleading of the total sales (R. 75). Petitioner then rested on the case for profit recovery, believing then and believing now that it had discharged its full *prima facie* burden

of proof of profits, as required by the statute and as required by the decision of this Court in the case of *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U. S. 203.* The statute in question (15 U. S. C. 99) holds that a plaintiff may recover an infringing defendant's profits from the sales of goods bearing the infringing mark:

*** * * 'and in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost which are claimed.' "

7.

Respondent voluntarily elected to take no testimony on the accounting. However, petitioner voluntarily accepted respondent's pleading that the bottles sold by respondent for \$429,876.68 cost respondent \$351,393.20, although the amount was not proved. The amount here in controversy is, thus, \$78,483.48.

8.

There was no proof on the accounting that any of respondent's sales had been the result of anything except confusion caused by its use of petitioner's trade-mark "REX," as the original finding of fact was that there was a "manifest likelihood of confusion."

9.

The special master filed his report (R. 322) awarding only nominal damage recovery and denying any profit recovery. The master held that petitioner was not entitled to a profit recovery until it had gone further than mere proof of respondent's sales, to the extent of proving that some of the sales were the result of confusion on the

* Petitioner also took testimony on damages. That issue, however, is not presented to this Court.

part of the purchasers. He deduced, without any record evidence whatsoever, the conclusion that, as all of respondent's sales had been made to its affiliated stores, none of the sales came about because of confusion.

10.

The conclusion of the special master required, as its prerequisite, his concluding that the burden lay upon petitioner to prove not only the amount of respondent's sales, but also the presence of confusion in them. If petitioner made an adequate *prima facie* case under the statute by proof of respondent's sales alone, then the burden of disproving confusion lay upon respondent; and only after offer of such proof could petitioner traverse it, or submit its countervailing evidence.

The conclusion of the special master, resting as it did on assumption and not on the record, required the placing of more *prima facie* burden on petitioner than the mere proof of respondent's sales.

11.

On exceptions to the report of the special master, the District Court (R. 346) reviewed his report, held that no deduction from the gross figure had been proved by the respondent, and awarded petitioner its costs in the accounting. The District Court nevertheless held that it would not upset the master's "conclusion of fact" that the profits were the result of the relationship of defendant to its customers, rather than to the use of an imitation of plaintiff's trade-mark (R. 349). The District Court adopted as a finding of fact what was actually only an assumption on the part of the special master, that could not have been made had the master recognized that petitioner made its full *prima facie* proof by proof of respondent's sales only.

Petitioner then appealed to the Circuit Court of Appeals for the Eighth Circuit. On June 11, 1945, that Court handed down its opinion (R. 370). It reiterated (R. 373) the law of the case that "appellant is the owner of the registered trade-mark 'REX' applied to prescription bottles; that the trade-mark has been infringed by the appellee by the sale of prescription bottles imprinted with the phrase 'The REXALL Store'; that the infringement of appellant's trade-mark by the appellee was wilful; and that there is a manifest likelihood of confusion in the minds of purchasers between prescription bottles bearing the appellant's mark and similar bottles bearing the appellee's infringing mark; that the appellant was entitled to a hearing to determine the amount of profits realized by the appellee and the amount of damages sustained by the appellant, if any in either case, as the result of the enjoined infringement."

The Court of Appeals, following the lead of the District Court, referred to the master's conclusion as a finding of fact, and stated that "the findings below are conclusive unless clearly erroneous" (R. 377). Then, so treating the conclusion as a finding of fact, it held that it could not say it was clearly erroneous. Incidentally, all of the matters, to which it referred its support of the deduction, were evidence in the original trial, wherein the injunction and accounting were awarded, and which it affirmed and now corroborates.

The Court of Appeals did not decide the question of whether or not the deduction should have been made at all, under the statutory burden of proof rule. Its affirming decision did deny that a plaintiff completes its *prima facie* proof of profits by proof of defendant's sales only.

QUESTIONS PRESENTED.

In an accounting following an adjudicated willful infringement of a trade mark registered under the Act of 1905, pursuant to a decree directing the ascertainment of profits of such infringement:

- (a) Is the plaintiff required to prove, in addition to the defendant's sales, that some of the sales resulted from confusion or deception of the defendant's purchasers, or does the defendant carry the burden to show that none of its sales was demonstrably attributable to the unlawful use of the mark?
- (b) Where the plaintiff has, on the accounting, proved defendant's total sales, and defendant has made no proof whatsoever, on the accounting, on the issue of deception or confusion, or that the sales were the result of anything except the infringement, can any conclusion be made other than that plaintiff is entitled to whatever profits the defendant has made on its total sales?
- (c) Is a plaintiff required to anticipate a contention by defendant that none of defendant's sales resulted from confusion or deception of purchasers, and, in addition to proof of defendant's sales, required to offer proof, in its *prima facie* case for profits, that some of the sales resulted from actual confusion?

REASONS FOR GRANTING THE WRIT.

The decision below is predicated upon a legal interpretation of the 1905 Trade Mark Act that conflicts with the statutory law, the decisions of this Court and of Courts of Appeals of other circuits, and which involves a question of national public interest.

1. The requirement that petitioner prove more than respondent's total sales, to make a *prima facie* case in the accounting, for award of respondent's sales, is directly contrary to the statute itself, which says (15 U. S. C. 99, 33 Stat. 724, 729) that:

*** * * in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost which are claimed."

2. The requirement aforesaid, that petitioner prove not only sales by respondent, but also existence of confusion or deception, is directly contrary to the decisions of this Court. In *Mishawaka R. & W. Mfg. Co. v. S. S. Kresge Co.*, 316 U. S. 203:

*** * * Congress did not put upon the despoiled the burden—as often as not impossible to sustain—of showing that but for the defendant's unlawful use of the mark, particular customers would have purchased plaintiff's goods (p. 206).

* * * * *

*** * * The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark."

See, also, *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U. S. 251.

3. The requirement aforesaid, that petitioner prove not only sales by respondent, but also existence of confusion, conflicts with decisions of other Circuit Courts of Appeals.

The Third Circuit Court, in *Duro Co. v. Duro Co.*, 56 F. (2d) 313, after quoting the statute, said (p. 315):

“In view of the provisions of the act of Congress, which provides that in assessing profits, the plaintiff shall be required to prove defendant's sales only, and that defendant must prove all elements of cost which are claimed; the failure of the defendant to make the requisite proof with any approximate accuracy, substituting therefor very general and uncertain estimates in place of proof; the fact that the difficulty of accounting is due solely to the defendant's action in commingling the expense of the infringing business with the expenses of its non-infringing business makes it necessary and proper to apply the rule of accounting laid down by Judge Taft in the case of National Folding-Box & Paper Co. v. Dayton Paper-Novelty Co. (C. C.), 95 F. 991, 996; and also the rule as laid down by Judge Woodruff in *Hitchcock v. Tremaine*, 12 Fed. Cas. 244, 245, No. 6539, which was affirmed by the Supreme Court in 23 Wall. (90 U. S.) 518, 23 L. Ed. 97.”

The Sixth Circuit Court, in *Dickinson v. O. & W. Thum Co.*, 8 F. (2d) 570, said (p. 573):

“Defendant's main complaint is that the master charged him with the entire profits accruing from the sale of any infringing goods during this period. *It is insisted that the burden was on plaintiff to prove that defendant had made profits attributable in whole or in part to the infringing use of its trade-mark*, and that the evidence does not support a finding that there were any so attributable. It would seem that this contention is precluded by our former opinion. If it had been otherwise, an accounting of profits and damages would not have been ordered. Be this as it may,

the master was plainly right in finding that defendant had made profits attributable in whole or in part to the use of plaintiff's trade-mark. It had already been conclusively established that defendant was a willful infringer of a valid trade-mark. He had made use of that trade-mark in marketing his product. In this situation he cannot urge successfully that his sales were due exclusively to the merit of his product, or that no one can say what part was due to the use of the infringing trade-mark and what part due to the merit of his goods and thereby escape liability." (Emphasis added.)

From the Sixth Circuit, see also *Lawrence-Williams Co. v. Societe Enfants Gombault et cie*, 52 F. (2d) 774.*

The Seventh Circuit Court, in *Aladdin Mfg. Co. v. Mantle Lamp Co.*, 116 F. (2d) 708, said (p. 712):

* * * * in an accounting for profits from infringement of a trade-mark, appellant was required to prove appellee's sales only and the latter was under obligation to prove all elements of costs which it claimed
* * * *

4. The questions presented are of public importance. Petitioner, relying upon the statute as interpreted by the decisions, proved only respondent's sales, and rested as its *prima facie* case on the accounting for profits. The rulings below all hold that such proof is insufficient, by denying petitioner its recovery of the profits because it did not also prove confusion, anticipating a contention by respondent of the absence of confusion.

Any plaintiff reading the statute, or the decisions cited, would prove the defendant's sales, and rest. Since the decision in this case, no plaintiff will be safe in doing so. If he follows the statute and the *Mishawaka* case, he may

* The Sixth Circuit attempted to depart from the rule in the *Mishawaka* case, but this Court reversed it, returning it to its earlier decisions.

find himself denied all recovery because his tribunal chooses to follow the present case, as authority. Confusion of all trade-mark litigants is an inevitable consequence of this decision.

Wherefore, it is respectfully requested that this Court direct the Court below to certify up the record, and review the decision, herein.

OBEAR-NESTER GLASS COMPANY,

By LAWRENCE C. KINGSLAND,
EDMUND C. ROGERS,
Counsel for Petitioner.

St. Louis, Missouri,
September, 1945.

We hereby certify that we have read the foregoing petition for certiorari, and that in our opinion it is well founded and presents grounds whereon the prayer ought to be granted, and that it is not interposed for purposes of delay.

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